



**NATIONAL ENDOWMENT FOR THE ARTS
OFFICE OF INSPECTOR GENERAL**

LIMITED SCOPE AUDIT REPORT

**ON SELECTED
NEA GRANTS TO**

**WISCONSIN ARTS BOARD
MADISON, WI**

**REPORT NO. LS-09-02
JUNE 15, 2009**

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INTRODUCTION

BACKGROUND

The Wisconsin Arts Board (Board) is a state agency, which nurtures creativity, cultivates expression, promotes the arts, supports the arts in education, stimulates community economic development and serves as resource for people of every culture and heritage. The Board's headquarters is located in Madison, Wisconsin.

OBJECTIVE AND SCOPE

The objective of this limited scope audit was to determine whether:

- The grantee fulfilled the financial and compliance requirements as set forth in the grant awards;
- The total project costs claimed under the grants were reasonable, allocable and allowable;
- The required match was met on NEA grant funds; and
- The objectives for which the grants were awarded were actually accomplished.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. The "Standards" require that we obtain sufficient, competent, and relevant evidence to afford a reasonable basis for our findings and conclusions.

During the period under review, the Board had nine National Endowment for the Arts (NEA) grants active with awards totaling \$2,624,800 (see Appendix A). Our audit was limited to those five grants in which NEA funds had been drawn down, costs had been reported, and were the most recently closed. The NEA is the federal oversight agency for the Board.

PRIOR AUDIT COVERAGE

During the past five years, the NEA Office of Inspector General (OIG) has not issued any audit reports on Federal grants awarded to the Board. However, the Board was included in the State of Wisconsin's Single Audit Report (OMB Circular A-133) for year ended June 30, 2007. None of the findings indicated in the State's A-133 audit report were applicable to the Board. The auditors, the Legislative Audit Bureau (LAB), also performed an independent comprehensive audit on the State's financial statements for the year ended June 30, 2007. The independent audit resulted in an unqualified (clean) opinion on the financial statements. In May 2008, the LAB issued a letter report to the Board based on audit work it completed relating to the State of Wisconsin's regulations. LAB identified several significant concerns with the Board's fiscal controls. The major factor was that key fiscal responsibilities are primarily completed by one fiscal person with limited management oversight. LAB indicated that the Board had taken some steps to address its concerns; however, it encouraged the Board to implement all of the improvements that it had recommended in its separate management letter. We agree with LAB's concerns and believe that follow up of these concerns should remain with LAB.

RESULTS OF AUDIT

Our audit concluded that the grant objectives were met for the completed grants. However, our review of the documentation provided indicated that the Board's financial management system did not adequately track some of the costs reported. Although we found that the Board did maintain personnel activity reports, the supporting documentation was not always provided at the time of the audit. As a result of insufficient documentation, costs were questioned for two of the grants where a potential refund may be due. Additionally, the Board did not file final reports timely.

FINANCIAL MANAGEMENT

As indicated above, the Board's financial management system did not adequately track some of the costs reported. In addition, although the Board did not claim any in-kind costs on the final Financial Status Reports, the approved grant budgets indicate that the Board would be incurring in-kind costs and we did not see any documentation in place to claim such costs. The NEA's *General Terms and Conditions for Grants and Cooperative Agreements to Organizations (General Terms)* has financial requirements or refers to the *Financial Management Guide for State & Local Governments*, which NEA provides to each applicable grantee. The *General Terms* and the *Guide* state in part:

For every employee whose salary is charged to an NEA grant, as a whole or in part, personnel activity reports must be maintained to account for all compensated time spent on other activities.

Recipients must have accounting structures that provide accurate and complete information about all financial transactions related to each Federally-supported project.

The grantee must maintain financial records, supporting documentation (such as cancelled checks, invoices, contracts, travel reports, donor letters, in-kind contribution reports, and personnel activity reports), statistical records, and all other records pertinent to an award according to the provisions outlined in OMB Circular A-110, Section 53 or the "Common Rule," Section 1157.42, as applicable.

According to OMB Circular A-102, Subpart C, the values placed on third party contributions for cost sharing or matching purposes will conform to the rules in the succeeding sections of this part. Those sections discuss the valuation of donated services, the valuation of donated supplies and loaned equipment or space, and the valuation of donated equipment, buildings, and land.

A description of our findings for each of the grants is indicated as follows:

Grant Nos. 05-6100-2020 and 06-6100-2010. We spent several hours verifying the costs claimed but could not get all of the project cost categories to reconcile nor could we get all of the numbers to add up to either the final Financial Status Reports (FSR) or to the Final Descriptive Reports (FDR). Work papers showing how the amounts were compiled for the reports were not maintained by the grantee.

We believe the Board still meets the matching requirement under both of the grants since both of the grants were well overmatched based on the amounts that we reviewed.

Grant No. 05-5500-7020. None of the grant costs were adequately documented during the audit. However, subsequent to the audit, the Board provided a list of expenditures paid for by the other consortium member, which documented that there were enough costs to meet the matching requirements of the grant. Additional costs could have been claimed by the Board, including in-kind costs, if they had been needed.

Grant No. 05-5500-7110. There was a total of \$50,000 reported as outlays under this \$25,000 grant. However, during the audit, the Board was unable to document any of the costs (including in-kind) incurred under the grant. Therefore, we are questioning costs of \$50,000, which could result in a potential refund of \$25,000.

Grant No. 06-4557-7069. There was a total of \$16,000 reported as outlays under this \$8,000 grant. We were able to document \$8,000 of expenditures under the grant but there was no additional documentation provided for the remaining \$8,000 claimed. Therefore, we are questioning costs of \$8,000, which could result in a refund of \$4,000.

OTHER MATTERS

We found that the Board did not provide subrecipients with identification information such as the Catalogue of Federal Domestic Assistance (CFDA) title or number in accordance with OMB Circular A-133, Subpart C.

The grantee must inform the subrecipient of Federal funds and identify the Federal grant number, CFDA title and number and Federal agency.

We found that the Board was submitting its FSRs and its FDRs late, anywhere between several days and several months late.

NEA's *General Terms* states that a Final Report package including the Final Descriptive Report (FDR), the Financial Status Report (FSR), and any required work product(s) must be submitted no later than 90 days after the project period end date.

EXIT CONFERENCE

An exit conference was held with the Board's Executive Director and Assistant Director of Administration on August 21, 2008. They acknowledged the findings and recommendations, and indicated they were in agreement on implementing the recommendations. On May 27, 2009, a subsequent discussion of the recommendations was conducted with the Board's Executive Director.

RECOMMENDATIONS

We recommend that the Board:

1. Implement procedures to ensure that work papers are maintained to document the costs reported on the final Financial Status Reports and on the Final Descriptive Reports.
2. Provide additional documentation to satisfy the matching requirements under grant nos. 05-5500-7110 and 06-4557-7069. Based on our subsequent review of the documentation provided, we will determine if any refund is due to the NEA. Without additional documentation, the potential refund is \$29,000 under the two grants.
3. Implement procedures to ensure that in-kind costs (contributions) are properly documented in accordance with OMB Circular A-102.
4. Implement procedures to ensure that subrecipients are informed of the CFDA titles and numbers, which are associated with their award.
5. Implement procedures to ensure that Final Report packages are submitted within the required 90 days after the period of support end date.

WISCONSIN ARTS BOARD
SCHEDULE OF GRANTS SELECTED FOR AUDIT

<u>Grant Amount</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Reported Costs</u>	<u>Project Description</u>
\$25,000	05-5500-7110	7/1/05 - 6/30/06	\$ 50,000	To support coordination of a teacher network & educational web site.
\$30,000	05-5500-7020	1/1/05 – 6/30/06	\$ 67,500	To support the consortium project “It Is Never Too Late To Learn,” the Second Annual Conference on Arts, Curriculum and Community.
\$595,400	05-6100-2020	7/1/05 - 9/30/06	\$ 7,603,057	Purpose was to support partnership agreement activities.
\$8,000	06-4557-7069	1/1/06 - 5/31/06	\$ 16,000	To support state participation in “Poetry Out Loud: National Recitation Contest and state-level finals.”
\$638,300	06-6100-2010	7/1/06 – 6/30/07	\$ 10,414,478	To support partnership agreement activities.
\$35,000	04-5500-3061	7/1/04 - 3/31/06	\$ *	To support continuation and expansion of Wisconsin Folks.
\$616,400	04-6100-2008	7/1/04 – 9/30/05	\$ *	To support partnership agreement activities.
\$651,700	07-6100-2030	7/1/07 – 6/30/08	\$ *	To support partnership agreement activities.
\$25,000	06-5500-7123	7/1/06 – 6/30/07	\$ *	To support the Wisconsin Teachers of Local Culture coordinator position and related costs.

Awards for the nine grants totaled \$2,624,800.

* These grants were not selected for audit since time of audit was limited and also for one grant where no costs were reported as of the audit date.